

USAID/Tajikistan

Annual Report

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Tajikistan

Performance:

BACKGROUND: Continued U.S. involvement in neighboring Afghanistan and the ongoing war on terrorism have redefined Tajikistan's relationship with the United States. A front-line state in the war on terrorism, Tajikistan has been a reliable ally in the international effort to bring peace and economic recovery to Afghanistan, despite misgivings among the country's Muslim population. Long noted as the poorest country to gain independence from the former Soviet Union and stigmatized by its own history of conflict, Tajikistan has worked steadily to establish security and relative political stability throughout the country. Over the past year, the government of Tajikistan has moved aggressively to mobilize increased donor support while also advancing needed economic and social reforms.

Tajikistan was ravaged by several years of civil war (1992-1997), has limited resources and few transportation links to the outside world. Weak security forces and trafficking in both arms and drugs remain serious concerns for regional stability. Government structures are under-funded, and the most talented civil servants have left public service. The agricultural sector, which employs more than 60% of the population, is constrained by deteriorated irrigation infrastructure, a lack of quality inputs and capital, and a poorly executed program of land privatization. The government has not been able to establish rule of law sufficiently or to moderate the country's corruption adequately to attract domestic and foreign investment. The situation has been made worse by the perceived inability of the Government of Tajikistan to prevent either Islamic extremists or drug traffickers based in Afghanistan from transiting Tajikistan, prompting Uzbekistan to restrict movements across their common border, effectively shutting off much of Tajikistan's international trade. In response to the country's economic crisis, increasing numbers of Tajiks are relying on labor migration or emigration to make ends meet. An estimated 600,000 Tajiks work abroad, and many male heads-of-household are leaving and not returning, placing the burden of childrearing on the women left behind.

While economic growth in 2002 was 9.1% and has held steady at 7.9% for the first 10 months of 2003, 80% of the population still lives below the poverty line. A national nutritional survey undertaken this year found that 4.7% of children under five years of age suffer from acute malnutrition and that 36.2% are affected by chronic malnutrition. The declining quality and increasing cost of health care are limiting people's access to quality health care. This is leading to a resurgence of old killers such as tuberculosis (TB) and malaria, while limiting the ability to address new threats such as HIV/AIDS and drug abuse. Increasing poverty and reduced state expenditures are also leading to declining school attendance, which has dropped to 88.4%, and has affected girls disproportionately.

According to World Bank estimates, Tajikistan's total external debt, owed mostly to Russia, the World Bank, and Uzbekistan, is just over \$1.05 billion or 78% of GDP. Debt servicing is expected to require one-third of total government revenues. During 2001, the terms of debt service improved following the rescheduling of bilateral debts (including with Russia) and the granting of concessional terms to a greater part of the debt. Total debt at the end of 2004 is expected to be \$1.124 billion.

Although still an authoritarian state, Tajikistan's political system remains more pluralistic than that of other countries in the region. The six-year old political accord between the President's party and the opposition appears to be holding despite stresses, and continues to serve as a sorely needed model for pluralism in the region. As a result of the agreement, Tajikistan is the only country in Central Asia with a legally-recognized Islamic opposition party, one which also holds positions in government. However, this summer's referendum on constitutional amendments, one of which would allow President Rahmonov to continue in office for an additional 14 years, illustrates that the country still has some ways to go before a democratic political culture can be said to exist. While there is a flourishing civil society and a small but

energetic group of private media outlets, both demonstrate a strong reluctance to engage the government on controversial or overly political issues.

On economic and social reforms, the government is moving on a broad front to complete the transition to a market economy and improve social services. Legislative and regulatory reforms are overhauling banking supervision, tax administration, commercial law codes, and the judiciary. In the health sector, the government is moving aggressively to revamp health care financing and reorient the health structure to place greater emphasis in preventative health care. The government is also taking effective steps to address such infectious diseases as HIV/AIDS, TB, and malaria. In the education sector, budgetary constraints are a major obstacle to bringing in the reforms needed to maintain Tajikistan's historically high levels of education, but efforts are being made to reform the curriculum, strengthen teacher training, and explore new mechanisms for sector financing. The expanded USAID program in Tajikistan directly supports this reform agenda, while also funding programs that provide direct support to communities and the provision of social services.

U.S. INTERESTS AND GOALS: Tajikistan is a frontline state in the fight against terrorism and narcotics trafficking. It is also a model for political pluralism and market reforms in a region still burdened by its Soviet past. For these reasons, the U.S. assistance program is advancing national interests by strengthening democratic culture among Tajik citizens and fostering an environment that supports private-sector economic development. These mutually reinforcing objectives build more transparent and responsive public institutions and establish the legal environment needed to make the transition toward democracy and a market economy, thereby promoting stability and greater prosperity. The U.S. Departments of Defense, Agriculture, and Commerce are supporting programs in Tajikistan, as is the Department of State through its bureaus for Democracy, Human Rights and Labor, International Narcotics and Law Enforcement, and Press and Public Diplomacy.

DONOR RELATIONS: Several new donors, including Sweden, Canada, and U.K., have become active in Tajikistan in the past year, and others have substantially increased their levels of assistance. Japan provides assistance for the agricultural sector, food security, and poverty reduction. The European Union is restarting its technical assistance program, and is supporting a number of activities through its Food Security Program and its European Community Humanitarian Office. The long-established Swiss program is closely coordinated with USAID efforts, particularly in the areas of regional water programs, World Trade Organization (WTO) accession, and judicial reform. Non-state donors include the Aga Khan Development Network, which supports a range of activities, including health and education, many of which are implemented in close partnership with USAID. Multilateral donors include the World Bank (social sector reform and private sector development); the Asian Development Bank (social services, transportation, irrigation, and hydropower); the Islamic Development Bank (road construction, energy sector, and school and irrigation rehabilitation); the Organization of Petroleum Exporting Countries (printing of school textbooks); and the European Bank for Reconstruction and Development (upgrading of telecommunications, airport navigation systems, and small enterprise financing). USAID works closely with the Asian Development Bank and the World Bank in microfinance, irrigation rehabilitation, health care reform, and more recently, in basic education.

CHALLENGES: With peace and improved security raising hopes for the future, Tajikistan is struggling still to restructure and reorient its public and private institutions. While the country's leadership recognizes the need for fundamental reforms, the underfinanced and poorly staffed line ministries are often unable to develop or implement the changes that are needed. Despite improved tax collection, all levels of government lack the resources needed to adequately finance social services. The weak judicial system is unprepared to cope with the demands of a market economy and corruption is a pervasive problem that inhibits the growth of private businesses. Deteriorated infrastructure, declining social services, and a largely subsistence (and somewhat criminalized) economy further limit the potential for economic growth. Some reforms, such as land privatization, have been poorly implemented, and others, such as banking and taxes, have only just begun. In such an environment, the impact of reform will be slow, as new legal and regulatory regimes are developed and the modestly expanding economy allows only incremental increases in social sector spending.

KEY ACHIEVEMENTS: In FY 2003, the USAID program benefited from much deeper engagement with Tajik counterparts, including a new, more collaborative Minister of Health; and saw significant progress across the entire portfolio. New initiatives in banking and tax reform have already realized major results, and the government is showing greater focus on economic reform issues. Democratic reforms were boosted this year with the registration of the Social Democratic Party, an important step as Tajikistan looks forward to Parliamentary elections in 2005. There is a remarkable degree of consensus in most policy reform areas and communities are increasingly taking ownership of programs at the local level. It remains to be seen if the reforms being accepted at the policy level can be sustained once implementation moves beyond the pilot phase.

IMPROVED ENVIRONMENT FOR SMALL AND MEDIUM ENTERPRISES: This strategic objective seeks to address the most binding constraints to private investment and the growth of small/medium enterprises. USAID activities are helping to modernize tax administration, strengthen banking supervision, and draft or revise commercial legislation. This past year, the government accepted USAID proposals to restructure the central tax ministry and has begun to pilot a new computerized taxpayer identification system. The National Bank has installed and is already applying a new off-site supervision system with software, computers, and training provided by USAID. Six key pieces of commercial legislation were presented to Parliament this year with USAID assistance, including a new joint stock company law, a revised Civil Procedures Code, and an updated Part III of the Civil Code (which addresses intellectual property rights). USAID-funded technical assistance teams also helped the National Bank draft a new, comprehensive microfinance law which promises to be one of world's most progressive, once adopted. Also, in support of microfinance, USAID launched a new technical assistance project to aid fledgling microfinance institutions (MFIs) and financed the establishment of a new MFI in southern Tajikistan. A major milestone was the formal commitment by the Government of Tajikistan to adopt International Accounting Standards (IAS) by the end of 2005, essential to attracting foreign investment. A USAID-developed training and certification program has now recognized 70 Certified Accounting Practitioners and has established IAS-based accounting curricula in 15 colleges and universities in the country. USAID assistance has also been critical to Tajikistan's efforts to join the WTO, and helped draft the country's accession memorandum submitted to the WTO secretariat in early 2003.

STRENGTHENED DEMOCRATIC CULTURE AND INSTITUTIONS: While the overall assessment suggests political reform in Tajikistan has reached a plateau, the past year saw some encouraging progress in the democracy sector. The Social Democratic Party was finally registered, the last major opposition party to be legally recognized, enabling it to participate in the 2005 Parliamentary elections. The success of USAID's new local government project prompted the government to request USAID support in drafting a new local government law. Drawing on experiences in Eastern Europe and Central Asia, the USAID-funded technical assistance team helped draft two pieces of legislation that offer hope of direct elections for local governing councils. This year also saw the very successful piloting of a new civics textbook and curriculum, which the government has now agreed to expand to 120 schools. The first private radio station in the capital city went on the air this year, after being granted a license the year before, providing much-needed programming diversity in the country's largest media market. At the same time, the state-owned television stations in Dushanbe began using for the first time the independent news programs produced and distributed through USAID's media support program. USAID also launched a new civil society support project that will continue aid to local NGOs and private associations.

IMPROVED MANAGEMENT OF CRITICAL NATURAL RESOURCES: Improving management of Tajikistan's significant water and energy resources is critical to the country's economy. The ongoing Transboundary Water and Energy Program is providing technical assistance to key Tajik and other Central Asian policymakers with the aim of bringing improved cooperation in the management of these resources. Supporting this effort is a program to install modern meteorological monitoring equipment across the region. The last major piece of this network was the installation of a monitoring station on the Fedchenko Glacier in Tajikistan, the largest glacier in Central Asia, which was completed in September and is now providing data to the meteorological services in all five Central Asian republics. Another major accomplishment this year was the success of USAID's irrigation rehabilitation project, which repaired nine primary pumping stations and brought 20,000 hectares of land back into production, benefiting 60,000 people. The second phase of this project should be completed in the spring of FY 2004 and is expected

to bring water to an additional 6,500 hectares, serving 17,000 people.

INCREASED ACCESS TO QUALITY HEALTH CARE: USAID's efforts to speed health care reforms were boosted by the appointment of a new, forward-looking Minister of Health. Among his top priorities is working with USAID to develop new health care financing mechanisms to improve services and reduce corruption. At the same time, work to respond to immediate threats posed by malnutrition and such infectious diseases as TB, malaria, and HIV/AIDS made strong advances this past year. The successful nutrition monitoring and supplementation program in southern Tajikistan continued to track the health of tens of thousands of nutritionally-vulnerable children in southern Tajikistan, and provided supplemental feeding to children in need. This program is being complemented by a new maternal and child health/reproductive health activity that will reach 330,000 women and children in the same province. Local health committees have already been established in 200 communities under this new project. The Roll-Back Malaria Program has successfully established surveillance centers in all four provinces and provided equipment and training to lab technicians to correctly diagnose malaria. The TB Directly Observed Treatment, Short-course program was successfully piloted this past year and is now slated for major expansion under a new program to begin in early FY 2004. Expanded HIV/AIDS programs are effectively reaching out to groups at high risk of HIV infection with information, services, and promotion of condom use. The new USAID-funded condom social marketing program has already sold or distributed over 100,000 condoms.

IMPROVED QUALITY AND ACCESS TO BASIC EDUCATION: USAID efforts in this area focus on improving the quality of and access to basic education by developing teacher trainers at school-based training centers and in-service institutes, working with communities to prioritize education needs and come up with solutions, and building school director and education administrator management capacity. This new project also has begun initial work with stakeholders in the area of education finance to develop policy initiatives that will help to rationalize education spending. Targeting an initial twenty primary schools, training-of-trainer activities started during the summer of 2003, introducing modern teaching methodologies to 336 teachers of primary grades. Supporting this training program, 22 Community Education Committees have been formed around the pilot schools to build partnerships between the schools and their communities, and over 200 school administrators and education authorities received initial training related to effective school management and strategic planning.

USAID has established a three-year Global Development Alliance with the Aga Khan Foundation, Canadian International Development Agency, Swiss Development Corporation, Netherland's Organization for International Development Cooperation, and the World Bank to improve the quality of basic education in Tajikistan. USAID's contribution is approximately \$1 million and the non-USG contribution is approximately \$2.6 million. The private sector contribution is 31% of the total.

CONFLICT VULNERABILITY: Tajikistan is moving away from violent conflict, although the potential for conflict remains, particularly in ethnically-diverse border regions and areas of high population density. Tajikistan is prone to conflict due to border problems, a lack of social and physical infrastructure, and the decline in economic opportunity. USAID's conflict prevention programs seek to enhance collaboration and communication between communities and local government structures, and experiment with other ways to create and strengthen participatory mechanisms within and among communities. The program targets Khatlon Province and the Ferghana and Rasht valleys, where risks of communal or religious conflicts are greatest. Over the last year, these programs have supported more than 200 community infrastructure projects and community events that address sources of resentment and potential conflict.

GENDER: A key cross-cutting objective in USAID's program in Central Asia relates to gender. The status of women has declined significantly since the breakup of the Soviet Union, especially in Tajikistan. Economic hardship has resulted in many women-headed households and has led to declines in girls' attendance at school. In response, USAID's programs promote increased roles for women through political party and NGO development, education reform efforts, child survival and maternal health programs, and small business development and microfinance activities that primarily serve woman engaged in trade.

TRADE CAPACITY BUILDING: Recognizing that cross-border trade reduces cross-border tension and promotes employment-creating growth, USAID facilitates increasing trade between Tajikistan, the other Central Asian Republics, Russia, and Afghanistan through customs reform efforts (complementing work being undertaken by the U.S. Customs Service), business networking across the region, and aiding Tajikistan's bid for WTO accession.

Country Close and Graduation:

Results Framework

119-0120 Fiscal Policy and Management

119-0130 Private Enterprise Growth

119-0131 Improved Environment for the Growth of Small and Medium Enterprises

SO Level Indicator(s):

A Business Environment Index

IR 1.3.1 Increased Opportunities to Acquire Business Information, Knowledge, and Skills

IR 1.3.2 More Responsive Financial Institutions, Instruments, and Markets

IR 1.3.3 Increased Implementation of Laws and Regulations

119-0160 Environmental Management

119-0161 Improved Management of Critical Natural Resources, Including Energy

IR 1.6.1 Increased management capacity in natural resource sector

IR 1.6.2 Improved policy and regulatory framework

IR 1.6.3 Sustainable models developed for integrated natural resources management

IR 1.6.4 Public commitment established for natural resources management policies

119-0210 Citizen Participation

119-0211 Strengthened Democratic Culture Among Citizens and Target Institutions

SO Level Indicator(s):

Percent of Target Population Exhibiting Civic Consciousness

IR 2.1.1 Stronger and More Sustainable Civic Organizations

IR 2.1.2 Increased Availability of information on civic rights and domestic public issues

IR 2.1.3 Enhanced opportunities for citizen participation in governance

IR 2.1.4 More Effective, Responsive, and Accountable Local Governance

119-0240 Conflict Mitigation

SO Level Indicator(s):

Percent of Communities Resolved Conflicts

IR 2.4.1 Strengthened Community Participation

IR 2.4.2 Improved Local Services Through Community Decisions

119-0310 Human Suffering and Negative Consequences of Crisis are Reduced

119-0320 Increased Utilization of Quality Primary Health Care for Select Populations

SO Level Indicator(s):

Percent of married women accepting modern contraceptive methods

Percent of screenings of children under five in the target areas resulting in referrals for treatment of modern/sever malnutrition

Percent Sputum Smear Positive TB Patients cure through DOTS in Pilot Sites

IR 3.2.1 Select populations are better informed about personal health care rights and responsibilities

IR 3.2.2 Improved quality of health care including infectious diseases and maternal and child health

IR 3.2.3 Improved use of health care resources for primary health care

IR 3.2.4 Improved legislative, regulatory and policy framework

119-0330 Environmental Health

119-0340 Improved Quality and Access to Basic Education in Target Areas

SO Level Indicator(s):

Attendance Rate Increased

Completion Rate Increased

Percent of Stakeholders Satisfied with Quality of Education in Target Areas

IR 3.4.1 Improved Quality and Access to In-Service Teacher Education in Target Areas

IR 3.4.2 Increased Parent and Community Involvement in Target Areas

IR 3.4.3 Strengthened Institutional, Management, and Technical Capacity in the Education System

119-0420 Cross-Cutting Programs